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# GAIN Report

Global Agricultural Information Network

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## **Uzbekistan - Republic of**

## **Oilseeds and Products Annual**

## **Uzbekistan Oilseed and Products 2011 Annual Report**

**Approved By:**

Rachel Nelson

**Prepared By:**

Nizam Yuldashbaev

**Report Highlights:**

Uzbekistan's MY2010/11 total oilseed production is estimated at 2.22 MMT and MY11/12 production is preliminarily forecast at 2.18 MMT. Total MY2011/12 oilseeds imports are projected at 35,000 tons in, including 25,000 tons of soybeans from Brazil. Oil meal imports are estimated to remain at 5,000 tons. Vegetable oil imports are forecast to increase slightly to 75,000 MT.

## **Executive Summary:**

Cottonseed is the major oilseed produced and utilized in Uzbekistan. The Government of Uzbekistan (GOU) encourages cotton production for the export market. MY 2010/11 total oilseed production is estimated at 2.22 MMT and MY 2011/12 total oilseed production is preliminarily forecast is 2.18 MMT. Over the past several years, there have been almost no oilseed imports, limiting the amount of raw material available for the domestic extraction industry. However, in MY 2010/11 traders finally were able to import 25,000 tons of soybeans from Brazil and 25,000 ton more Brazilian soybeans are expected to be imported this year. MY 2011/12 total oilseed imports are forecast at 35,000 MT.

MY 2010/11 oil meal production is forecast at 765,000 MT. Sharply rising international prices along with a prohibitive import regime discourage commercial imports of soybeans, despite growing demand from the livestock and poultry sector.

MY 2010/11 vegetable oil imports are forecast to increase to 70,000 MT. Although official trade statistics are not available, sources indicate most oil is imported already refined and in consumer-ready packaging. The leading suppliers of vegetable oil remain Russia and Ukraine. Sunflower oil remains by far the most popular imported oil.

## **Production:**

### **OILSEEDS**

Cotton remains the dominant oilseed in Uzbekistan. MY 2010/11 total domestic oilseed production is forecast at 2.22 MMT, about 18 percent higher than last year due to an anticipated increase in cottonseed production. MY 2011/12 preliminary production forecast is 2.18 MMT.

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The Uzbek government provides subsidized fertilizers and seed as well as almost free irrigation to support cotton producers. In return, the government maintains state orders controlling 50 percent of the cotton crop; however, in reality, it still procures virtually the entire crop. At the same time, the state procurement price remains well below world price levels. To compensate for the decline in cotton production, the government has encouraged production of sunflowers, safflower and some soybeans. However, so far sunflowers and safflower are grown on a very limited scale. Last year only 10,000 tons of sunflower and 10,000 tons of safflower were produced. In the past, soybean trials in the Fergana and Samarkand regions were less than successful partially due to unfavorable climate conditions and the poor quality of the planting seeds. Also, farmers interested in growing soybeans could not obtain necessary land area because all of the good land remains strictly allocated for cotton and wheat production by the government. Last year farmers reportedly produced only 300 tons of soybeans.

## **OIL MEALS**

Uzbek crushing plants are old and designed to crush cottonseed. The Soviet Union built most of the plants in the 1930's. The plants crush cottonseed eight months out of the year. There has been some movement towards privatizing refineries and now some operations are 75 percent privately owned and 25 percent government owned. MY 2010/11 total oil meal production is estimated at 765,000 MT. MY 2011/12 preliminary oil meal production is forecast at 750,000 MT.

## **OILS**

Cottonseed oil remains the main vegetable oil produced in Uzbekistan. In addition, a few companies bottle imported sunflower oil in small volumes. Total MY 2010/11 oil production is estimated at 250,000 MT and MY 2011/12 total oil production is preliminarily forecast at 245,000 tons.

Except for a few crushing plants which have been privatized, most extractors and refiners operate under the joint-stock association "Oil Crushing and Food Industry". Only a few extractors and refiners use fairly modern imported equipment; the majority still uses outdated Soviet equipment. The quality of locally produced oil, especially cottonseed oil, remains poor due to the lack of updated equipment or good management. Most plants reportedly use benzene, rather than hexane, in the extraction process and the majority pre-press and then use solvents to extract the oil. Most plants do not have deodorization equipment. For plants without deodorization capability, only the oil obtained from crushing can be used for human consumption. The government is trying to modernize the industry by encouraging foreign investment as a conduit for new management methods and technologies.

## **Consumption:**

## **OILSEEDS**

Uzbekistan's actual crushing capacity for all oilseeds is well below the 3.5 MMT reported during Soviet times. Due to the lack of spare parts and inadequate maintenance, processing capacity has declined to about 2.4 MMT. On top of that, local experts estimate the industry currently operates at less than 60 percent capacity due to the lack of oilseeds available for crushing.

Uzbekistan's crushing industry's activities are monitored by the Joint-Stock Association "Oil Crushing and Food Industry" which consist of the former state crushing, extraction and refining facilities. There are 20 large crushing plants throughout the country, and within the past 6 years more than half of them have been privatized. Most plants are now controlled by joint ventures and joint-stock companies.

Although officially the state order for cotton decreased to 50 percent in recent years, in reality there is little alternative for farmers but to sell to state-controlled gins, which in turn, transfer the cottonseed to crushing plants. Processed products, particularly cottonseed meal, are of poor quality and the industry badly needs capital to upgrade its equipment. Currently there are few investments in the crushing industry, which mainly come in the form of joint-venture bottling of cottonseed oil and imported sunflower oil.

## **OIL MEALS**

Most cottonseed meal is fed to dairy animals, although some is fed to layer hens. The demand for protein meal, and especially soybean meal, has increased dramatically due to demand from both the poultry industry, and to a lesser extent the dairy and aquaculture industries. The quality of soybean meal produced in the past years has varied, while the quality of compound feed has been poor.

Consequently, the need for a regular supply of high-quality protein feed remains one of the critical issues facing the agricultural sector. But as mentioned earlier, since concessional imports ceased, there have been practically no imports of soybeans, and the crushing industry is mainly dependent on locally produced cottonseed.

Cottonseed meal, cakes and hulls are supplied by extraction companies to other state agencies, mainly to Uzkhleboprodukt, which combines by-products from flour milling with cottonseed meal, cakes and hulls to produce a compound feed for cattle. The main feed component in poultry production, when soybean meal is not available, is still a compound feed composed of wheat and corn with a 7-8 percent mixture of cottonseed meal. Sometimes local sunflower seed meal is used for up to 5 percent in this compound feed. The potential demand for soybeans is reportedly about 300,000 tons annually. Some small volumes of sunflower seed meal or de-hulled sunflowers are imported from Kazakhstan or Russia.

## **OILS**

Cottonseed oil is a staple of the Uzbek diet. Per capita oil consumption is estimated at about 15 kilograms per year. Until recently, cottonseed oil was the preferred oil for most Uzbek consumers.

However, over the last 15 years, imported sunflower seed oil has become popular because good quality cottonseed oil is not always available in food shops and because many consumers prefer the flavor of sunflower seed oil.

### **Trade:**

## **OILSEEDS**

The demand for oilseeds, especially soybeans, is considerable but the high VAT on all imports along with the transportation costs to landlocked Uzbekistan remain as major impediments to trade. In 2009 during the Uzbekistan president's visit to Brazil, an Uzbek trading company signed a contract for

importation of 50,000 tons of Brazilian soybeans into Uzbekistan. However, Brazil could not ship the commodity in time due to a bad crop. The first shipment of 25,000 tons was delivered reportedly only at the end of 2010. The remaining 25,000 tons will reportedly be shipped in the first half of 2011. In addition, a few private companies are planning to import 10,000 tons of sunflower seeds from CIS countries. Therefore, MY 2011/12 oilseed imports are forecast at 35,000 MT. Imported oilseeds are an important resource for Uzbekistan's underutilized crushing industry, and also help save foreign exchange by capturing the added value of oil and meal processing in Uzbekistan. Uzbekistan's import demand could increase significantly if the industry was modernized and the government enacted policies to encourage expansion of livestock, dairy and poultry production.

## OILMEALS

Cottonseed meal is used mainly for cattle feed, and a small amount is used for poultry feed. Uzbekistan imports small volumes of protein meal, in particular sunflower seed meal and soybean meal, from neighboring CIS countries. However, these imported volumes were so small recently (around 5,000 tons in MY2010/11) that they didn't satisfy the high demand for quality feed in the livestock and poultry sectors. Uzbekistan used to export small quantities of cottonseed meal, mainly to Russia, the Baltics, Kazakhstan and Azerbaijan. However, cottonseed meal exports have been banned since 2006 in order to keep the product available for domestic needs.

## OILS

Uzbekistan relies on imports for about 30-35 percent of its vegetable oil requirements. Sources expect import demand and expenditures to continue to increase unless the government moves to modernize the industry and actively encourage planting of alternative oilseed crops. MY 2010/11 and MY 2011/12 vegetable oil imports are forecast at 70,000 MT and 75,000 MT respectively. Although official trade statistics on vegetable oil are not available, sources indicate most of the oil is imported refined and in consumer-ready packaging. The leading suppliers of vegetable oil are Russia and the Ukraine.

Sunflower oil remains by far the most popular imported oil although some relatively expensive olive oil is available in major supermarkets.

Long ago Uzbekistan used to export about 20,000-25,000 MT of un-deodorized cottonseed oil mainly to the neighboring CIS countries. However since 1996 cottonseed oil exports have been banned.

### Stocks:

There are no reliable official data on stocks. Stock numbers given in this report for all commodities are estimates.

## Production, Supply and Demand Data Statistics:

**Table 1: Total Oilseeds, Production, Supply and Demand**

Total Oilseed, Uzbekistan	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jun 2009		Market Year Begin: Jun 2010		Market Year Begin: Jun 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (Cotton)	1,440	1,315	1,300	1,343		1,345

Area Harvested (Cotton)	1,300	1,300	1,300	1,343		1,345
Seed to Lint Ratio	0	0	0	0		0
Beginning Stocks	70	70	25	80		235
Production	1,525	1,850	1,820	2,220		2,180
MY Imports	0	0	0	25		35
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	1,595	1,920	1,845	2,325		2,450
MY Exports	0	0	0	0		0
MY Exp. to EU	0	0	0	0		0
Crush	1,360	1,440	1,485	1,660		1,630
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	210	400	310	430		400
Total Dom. Cons.	1,570	1,840	1,795	2,090		2,030
Ending Stocks	25	80	50	235		420
Total Distribution	1,595	1,920	1,845	2,325		2,450
1000 HA, RATIO, 1000 MT						

**Table 2: Total Cottonseed Production, Supply and Demand**

Oilseed, Cottonseed Uzbekistan	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jun 2009		Market Year Begin: Jun 2010		Market Year Begin: Jun 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (Cotton)	1,440	1,315	1,300	1,340		1,340
Area Harvested (Cotton)	1,300	1,300	1,300	1,330		1,340
Seed to Lint Ratio	0	0	0	0		0
Beginning Stocks	70	70	25	80		210
Production	1,525	1,850	1,820	2,200		2,180
MY Imports	0	0	0	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	1,595	1,920	1,845	2,280		2,390

MY Exports	0	0	0	0		0
MY Exp. to EU	0	0	0	0		0
Crush	1,360	1,440	1,485	1,650		1,630
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	210	400	310	420		400
Total Dom. Cons.	1,570	1,840	1,795	2,070		2,030
Ending Stocks	25	80	50	210		360
Total Distribution	1,595	1,920	1,845	2,280		2,390
1000 HA, RATIO, 1000 MT						

**Table 3: Total Oil Meals Production, Supply and Demand**

Total Oil Meals, Uzbekistan	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jun 2009		Market Year Begin: Jun 2010		Market Year Begin: Jun 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1,360	1,440	1,485	1,660		1,630
Extr. Rate, 999.9999	0	0	0	0		0
Beginning Stocks	0	0	0	0		0
Production	632	662	690	765		750
MY Imports	0	0	0	5		5
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	632	662	690	770		755
MY Exports	22	20	30	20		20
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	610	642	660	750		735
Total Dom. Cons.	610	642	660	750		735
Ending Stocks	0	0	0	0		0
Total Distribution	632	662	690	770		755
1000 MT, PERCENT						

**Table 4: Cottonseed Meal, Production, Supply and Demand.**

Meal, Cottonseed Uzbekistan	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jun 2009		Market Year Begin: Jun 2010		Market Year Begin: Jun 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1,360	1,440	1,485	1,650		1,630
Extr. Rate, 999.9999	0	0	0	0		0
Beginning Stocks	0	0	0	0		0
Production	632	662	690	759		750
MY Imports	0	0	0	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	632	662	690	759		750
MY Exports	22	20	30	20		20
MY Exp. to EU	0	0	0	0		0

Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	610	642	660	739		730
Total Dom. Cons.	610	642	660	739		730
Ending Stocks	0	0	0	0		0
Total Distribution	632	662	690	759		750
1000 MT, PERCENT						

**Table 5: Total Oils Production, Supply and Demand**

Total Oil, Uzbekistan	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jun 2009		Market Year Begin: Jun 2010		Market Year Begin: Jun 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1,360	1,440	1,485	1,650		1,630
Extr. Rate, 999.9999	0	0	0	0		0
Beginning Stocks	0	0	0	0		10
Production	224	220	245	250		245
MY Imports	0	65	0	70		75
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	224	285	245	320		330
MY Exports	10	0	20	0		0
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	19	20	20	30		30
Food Use Dom. Cons.	195	265	205	280		280
Feed Waste Dom. Cons.	0	0	0	0		0
Total Dom. Cons.	214	285	225	310		310
Ending Stocks	0	0	0	10		20
Total Distribution	224	285	245	320		330
1000 MT, PERCENT						

**Table 6: Cottonseed Oil Production, Supply and Demand**

Oil, Cottonseed Uzbekistan	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jun 2009		Market Year Begin: Jun 2010		Market Year Begin: Jun 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1,360	1,440	1,485	1,650		1,630
Extr. Rate, 999.9999	0	0	0	0		0
Beginning Stocks	0	0	0	0		10
Production	224	220	245	250		245
MY Imports	0	0	0	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0			0
Total Supply	224	220	245	250		255
MY Exports	10	0	20	0		0



